

TOWN OF GANS OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013

**TOWN OF GANS, OKLAHOMA**  
**June 30, 2013**

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## **AUDIT REPORT**

**INDEPENDENT AUDITOR'S REPORT****Honorable Mayor and Board of Trustees  
Town of Gans, Oklahoma**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Gans, as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Gans. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The Town of Gans has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Gans, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 20, 2014, on my consideration of the Town of Gans, State of Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The budgetary comparison information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read 'Barry Spyres', with a stylized, flowing script.

Barry Spyres, CPA  
May 20, 2014

## **BASIC FINANCIAL STATEMENTS**

# TOWN OF GANS, OKLAHOMA

## Statement of Net Assets

June 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 8,910	\$ 16,703	\$ 25,613
Certificates of Deposit	-	-	-
Receivables			
Taxes	726	-	726
Other Funds/Trade Accounts	4,479	19,842	24,321
Restricted Cash Accounts	<u>4,336</u>	<u>41,672</u>	<u>46,008</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 18,451</b>	<b>\$ 78,217</b>	<b>\$ 96,668</b>
<b>NONCURRENT ASSETS:</b>			
Capital Assets:			
Automobiles and Equipment	\$ 7,879	\$ 40,745	\$ 48,624
Buildings	63,529	-	63,529
Streets and Infrastructure	-	-	-
Sewer and Water Systems	<u>-</u>	<u>1,005,859</u>	<u>1,005,859</u>
Total Capital Assets	71,408	1,046,604	1,118,012
Less Accumulated Depreciation	<u>(14,564)</u>	<u>(617,756)</u>	<u>(632,320)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 56,844</b>	<b>\$ 428,848</b>	<b>\$ 485,692</b>
<b>TOTAL ASSETS</b>	<b>\$ 75,295</b>	<b>\$ 507,065</b>	<b>\$ 582,360</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,927	\$ 1,166	\$ 4,093
Note Payable Current Portion	-	7,051	7,051
Other Funds	-	4,286	4,286
Payable from Restricted Assets			
Customer Meter Deposits	<u>-</u>	<u>20,280</u>	<u>20,280</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 2,927</b>	<b>\$ 32,783</b>	<b>\$ 35,710</b>
<b>NONCURRENT LIABILITIES</b>			
Notes Payable Non-Current	<u>\$ -</u>	<u>\$ 101,545</u>	<u>\$ 101,545</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ -</b>	<b>\$ 101,545</b>	<b>\$ 101,545</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 2,927</b>	<b>\$ 134,328</b>	<b>\$ 137,255</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 56,844	\$ 320,252	\$ 377,096
Restricted	4,336	41,672	46,008
Unrestricted	<u>11,188</u>	<u>10,813</u>	<u>22,001</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 72,368</b>	<b>\$ 372,737</b>	<b>\$ 445,105</b>

See accompanying notes and independent auditor's report

**TOWN OF GANS, OKLAHOMA**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 37,164	\$ 177	\$ 15,999	\$ (20,988)	\$ -	\$ (20,988)
Public Safety	8,812	16,386	-	7,574		7,574
Street and Sanitation	1,244	-	-	(1,244)		(1,244)
Clerk	-	-	-	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 47,220</u>	<u>\$ 16,563</u>	<u>\$ 15,999</u>	<u>\$ (14,658)</u>	<u>\$ -</u>	<u>\$ (14,658)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water and Sewer	\$ 224,807	\$ 214,069	\$ -	\$ -	\$ (10,738)	\$ (10,738)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 224,807</u>	<u>\$ 214,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,738)</u>	<u>\$ (10,738)</u>
<b>TOTAL</b>	<u>\$ 272,027</u>	<u>\$ 230,632</u>	<u>\$ 15,999</u>			
<b>GENERAL REVENUES:</b>						
Sales and use tax				\$ 8,026	\$ -	\$ 8,026
Motor Vehicle Tax				2,971		2,971
Franchise Tax				5,633		5,633
Other taxes				2,183		2,183
Investment earnings				-	324	324
Miscellaneous				257		257
<b>TRANSFERS</b>				-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<u>\$ 19,070</u>	<u>\$ 324</u>	<u>\$ 19,394</u>
<b>CHANGE IN NET ASSETS</b>				<u>\$ 4,412</u>	<u>\$ (10,414)</u>	<u>\$ (6,002)</u>
<b>NET ASSETS BEGINNING OF YEAR</b>				<u>67,956</u>	<u>383,151</u>	<u>451,107</u>
<b>NET ASSETS END OF YEAR</b>				<u>\$ 72,368</u>	<u>\$ 372,737</u>	<u>\$ 445,105</u>

See accompanying notes and independent auditor's report.



**TOWN OF GANS, OKLAHOMA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,386	\$ 5,524	\$ 8,910
Receivables			
Taxes Recivable	-	726	726
Due from Other Funds	4,479	-	4,479
Restricted Cash	<u>4,336</u>	<u>-</u>	<u>4,336</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,201</u>	<u>\$ 6,250</u>	<u>\$ 18,451</u>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 2,927</u>	<u>\$ -</u>	<u>\$ 2,927</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,927</u>	<u>\$ -</u>	<u>\$ 2,927</u>
<b>FUND BALANCES</b>			
Resevered	\$ -	\$ -	\$ -
Unreserved	<u>9,274</u>	<u>6,250</u>	<u>15,524</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 9,274</u>	<u>\$ 6,250</u>	<u>\$ 15,524</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 12,201</u>	<u>\$ 6,250</u>	<u>\$ 18,451</u>

See accompanying note and independent auditor's report.



**TOWN OF GANS, OKLAHOMA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>			
Motor Vehicle Tax	\$ -	\$ 2,971	\$ 2,971
Sales and Use Tax	8,026	-	8,026
Franchise Tax	5,633	-	5,633
Other Taxes	2,183	-	2,183
Permits and Fees	177	-	177
Grants	15,999	-	15,999
Police Fines	16,386	-	16,386
Miscellaneous	257	-	257
Interest	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ 48,661</b>	<b>\$ 2,971</b>	<b>\$ 51,632</b>
<b>EXPENDITURES</b>			
General Government	\$ 34,509	\$ -	\$ 34,509
Public Safety	8,812	-	8,812
Streets	-	1,244	1,244
Capital Outlays	<u>12,454</u>	<u>-</u>	<u>12,454</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 55,775</b>	<b>\$ 1,244</b>	<b>\$ 57,019</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (7,114)</b>	<b>\$ 1,727</b>	<b>\$ (5,387)</b>
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (7,114)</b>	<b>\$ 1,727</b>	<b>\$ (5,387)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b><u>16,388</u></b>	<b><u>4,524</u></b>	<b><u>20,912</u></b>
<b>FUND BALANCE AT END OF YEAR</b>	<b><u>\$ 9,274</u></b>	<b><u>\$ 6,251</u></b>	<b><u>\$ 15,525</u></b>

See accompanying notes and independent auditor's report.

**TOWN OF GANS, OKLAHOMA**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2013**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (5,387)</b>
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**Amounts reported for governmental *activities* in the statement of activities are different because:**

Capital outlays are reported in governmental funds expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense \$2,655 is exceeded by capital outlays \$12,454 in the period.

9,799

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,412</u></b>
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See accompanying notes and independent auditor's report.

**TOWN OF GANS, OKLAHOMA**

**Statement of Net Assets**

**Proprietary Funds**

**June 30, 2013**

**ASSETS:**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	16,703	
Receivables		19,842	
Restricted Cash		<u>41,672</u>	
<b>TOTAL CURRENT ASSETS</b>			\$ 78,217

**NONCURRENT ASSETS**

Due from Primary Government	\$	-	
Capital Assets			
Water and Sewer Systems		1,005,859	
Automobiles and Equipment		<u>40,745</u>	
<b>TOTAL CAPITAL ASSETS</b>	\$	1,046,604	
Less Accumulated Depreciation		(617,756)	
<b>NET CAPITAL ASSETS</b>		<u>428,848</u>	
<b>TOTAL NONCURRENT ASSETS</b>			<u>428,848</u>

<b>TOTAL ASSETS</b>			\$ 507,065
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$	1,166	
Due to Other Funds		4,286	
Current Portion of Long Term Debt		<u>7,051</u>	
<b>TOTAL CURRENT LIABILITIES</b>			12,504

**CURRENT LIABILITIES PAYABLE FROM**

**RESTRICTED ASSETS**

Customer Meter Deposits	\$	<u>20,280</u>	
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			20,280

**NONCURRENT LIABILITIES**

Long Term Debt	\$	<u>101,545</u>	
<b>TOTAL NONCURRENT LAIBILITIES</b>			<u>101,545</u>

<b>TOTAL LIABILITIES</b>			\$ 134,328
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$	320,252	
Restricted		41,672	
Unrestricted		<u>10,813</u>	

<b>TOTAL NET ASSETS</b>			<u>\$ 372,737</u>
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See accompanying notes and independent auditor's report.

**TOWN OF GANS, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

**OPERATING REVENUES**

Charges for services	\$ 213,944	
Sales tax revenue	-	
Miscellaneous	125	
<b>TOTAL OPERATING REVENUES</b>		<u>\$ 214,069</u>

**OPERATING EXPENSES**

Water Purchased	\$ 87,215	
Sanitation	37,375	
Salaries and related expenses	46,667	
Office Supplies and Postage	3,905	
Water Testing	587	
Utilities and Telephone	4,765	
Repairs and Maintenance	2,594	
Contracted Services	2,808	
Memberships and Dues	1,728	
Insurance	5,320	
Other Expenses	2,853	
Depreciation	23,979	
<b>TOTAL OPERATING EXPENSES</b>		<u>219,796</u>

**OPERATING INCOME** \$ (5,727)

**NON-OPERATING REVENUE (EXPENSES)**

Grant Income	\$ -	
Interest Income	324	
Interest Expense	(5,011)	
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>		<u>(4,687)</u>

**NET INCOME BEFORE OPERATING TRANSFERS** \$ (10,414)

**TRANSFERS**

Transfers In	-
Transfers Out	-

**CHANGE IN NET ASSETS** (10,414)

**BEGINNING OF YEAR NET ASSETS** 383,151

**END OF YEAR NET ASSETS** \$ 372,737

See accompanying notes and independent auditor's report.

**TOWN OF GANS, OKLAHOMA**  
**Statement of Cash Flows Proprietary Funds**  
**For the Year Ended June 30, 2013**

**CASH FLOWS FROM OPERATIONS**

Cash Received from Customers	\$ 214,069
Cash Payments from Suppliers	(149,706)
Cash Payments to Employees	<u>(46,667)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 17,696

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers Out	\$ <u>-</u>
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**NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES** -

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Reduction in Long Term Debt	\$ (5,336)
Purchase of Fixes Assets	(5,970)
Interest Paid	<u>(5,011)</u>

**NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES** (16,317)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net Activity of Restricted Accounts	\$ 312
Interest Income	<u>12</u>

**NET CASH PROVIDED BY INVESTING ACTIVITIES** 324

**DECREASE IN CASH AND CASH EQUIVALENTS** \$ 1,703

**CASH AND CASH EQUIVALENTS - Beginning of Year** 15,000

**CASH AND CASH EQUIVALENTS - End of Year** 16,703

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (5,727)
Adjustments:	
Depreciation	23,979
Net change in Assets and Liabilities	
Trade Accounts Receivable	-
Accounts Payable	<u>(556)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 17,696

See accompanying notes and independent auditor's report

## NOTES



**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Town of Gans, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the Oklahoma statutes set forth in Title 11 and the Town is governed by three board members each representing a ward within the Town. Major operations include police, public works, sanitation and streets, and general administrative services.

The financial statements of the Town have been prepared in accordance with Generally Accepted Accounting Principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accompanying financial statements present the Town and its component unit (Gans Public Works Authority), an entity for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The Town's council members are the board of directors for the Gans Public Works Authority, they set the budget, and approve all significant management issues. Separate financial statements of the Authority are not issued.

**Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustain ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue and expenditures that are restricted the town special revenue fund consisted of the Street Fund.

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

The Town reports the following major proprietary fund:

The public works authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The public works authority of the Town of Gans, Oklahoma, consists of one fund - the water and sewer department.

**Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents**

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid debt instruments with a maturity of six months or less when purchased to be cash equivalents.

**Accounts Receivable**

Management establishes an allowance for uncollectible accounts based on historical collection experience and management's evaluation of collectability the allowance for doubtful accounts at June 30<sup>th</sup> 2013 was \$1,119.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance are repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water Plant and Sewer System	40
Automobiles	5
Equipment	10

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as due to/from other funds. All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

**Compensated Absences**

Employee's vacation and holiday leave does not vest or accumulate and sick leave is not normally paid without an illness related absence; therefore, no accruals for compensated absences have been reflected in the accompanying financial statements.

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (2) BUDGETARY ACCOUNTING**

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements:

- a. The mayor submits to the Town Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the Town to obtain taxpayer comments.
- c. The Town Council adopts the budget.
- d. The City Clerk, with approval is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Revenues shall be classified separately by source. Expenditures shall be departmentalized within each fund and shall be classified into at least the following accounts: Personal services, materials and supplies, other services and charges, capital outlays, and debt service, and transfers.

The Town prepares an annual operating budget for its General Fund, Special Revenue Funds, and Proprietary Funds.

The Town prepares its budget on the same basis of accounting as is used to prepare its non-budgetary financial statements.

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (3) BANK DEPOSITS**

The Town's bank account balances are as follows:

	<u>Book Value</u>	<u>Bank Carrying Value</u>
Town of Gans	\$ 13,246	\$ 13,246
Gans Public Works Authority	58,375	58,375
<b>Total</b>	<u>\$ 71,621</u>	<u>\$ 71,621</u>
Town of Gans/Gans Public Works		
FDIC Insured	\$ 71,621	\$ 71,621
Collateralized	0	0
<b>Total</b>	<u>\$ 71,621</u>	<u>\$ 71,621</u>

**NOTE (4) RESTRICTED ASSETS - CASH**

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

Consumer Meter Deposits	\$ 19,701
Restricted Sewer Accounts	21,971
<b>Total Restricted Cash</b>	<u>\$ 41,672</u>

Rural Development requires a reserve fund be maintained in an amount equal to one full year of installment payment. The balance in the Reserve Fund at June 30<sup>th</sup> 2013 was \$11,546 and is required to maintain a balance of \$10,908 resulting in the reserve fund being fully funded.

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (5) CHANGES IN CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets being Depreciated				
Automobiles and Equipment	\$ 6,979.00	\$ 900.00	\$ -	\$ 7,879.00
Buildings and Building Improvements	<u>51,975.00</u>	<u>11,554.00</u>	<u>-</u>	<u>63,529.00</u>
Total Capital Assets being Depreciated	\$ 58,954.00	\$ 12,454.00	\$ -	\$ 71,408.00
Less Accumulated Depreciation				
Automobiles and Equipment	6,979.00	780.00	-	7,759.00
Buildings and Building Improvements	<u>4,930.00</u>	<u>1,875.00</u>	<u>-</u>	<u>6,805.00</u>
Total Accumulated Depreciation	\$ 11,909.00	\$ 2,655.00	\$ -	\$ 14,564.00
Governmental Activities, Capital Assets, Net	<u>\$ 47,045.00</u>	<u>\$ 9,799.00</u>	<u>\$ -</u>	<u>\$ 56,844.00</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 1,180.00
Public Safety	780.00
Street	695.00
Clerk	<u>-</u>
Total Depreciation from Governmental Activities	<u>\$ 2,655.00</u>

Capital asset activity for business-type activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets, being Depreciated				
Automobiles and Equipment	\$ 34,775.00	\$ 5,970.00	\$ -	\$ 40,745.00
Water Plant and Sewer Systems	1,005,859.00	-	-	1,005,859.00
Buildings and Building Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets being Depreciated	\$ 1,040,634.00	\$ 5,970.00	\$ -	\$ 1,046,604.00
Less Accumulated Depreciation				
Automobiles and Equipment	34,775.00	-	-	34,775.00
Water Plant and Sewer Systems	559,002.00	23,979.00	-	582,981.00
Buildings and Building Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	\$ 593,777.00	\$ 23,979.00	\$ -	\$ 617,756.00
Business-Type Activities, Capital Assets, Net	<u>\$ 446,857.00</u>	<u>\$ (18,009.00)</u>	<u>\$ -</u>	<u>\$ 428,848.00</u>

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (6) INTER-FUND BALANCES AND TRANSFERS**

**Interfund Transfers**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ 0	\$ 0
Special Revenue	0	0
Business-Type Fund		
Public Works Authority	0	0
Total	<u>\$ 0</u>	<u>\$ 0</u>

Throughout the course of the year, the Town has to make occasional interfund transfers. The transfers are usually approved so that the fund receiving the money can continue to operate.

**NOTE (7) CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Town and Gans Public Works Authority to credit risk consist primarily of the accounts receivable of Gans Public Works Authority. Gans Public Works Authority sells primarily to citizens in and around Gans, Oklahoma.

**NOTE (8) RISK MANAGEMENT**

The Town is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance along with policies through Oklahoma Municipal Assurance Group for risk loss.

There has been no significant reduction in the Town's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Town's coverage in any of the prior three fiscal years.



**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (9) LONG TERM DEBT**

**Gans Public Works Authority**

Notes Payable:	Outstanding Debt June 30, 2013
Rural Development	
Original balance of \$185,000 bearing 5.00% interest with monthly payment of \$909 per month. Matures November 12 <sup>th</sup> 2026, secured by utility plant service.	\$ 102,626
National Bank of Sallisaw	
Original balance of \$15,970 bearing 3.5% interest with monthly payment of \$175.01 per month. Matures June 6 <sup>th</sup> 2015, secured by vehicle.	5,970
Less Current Portion	(7,051)
Total	<u>\$ 101,545</u>

Maturities of Long-term Debt due within the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 7,121
2015	7,631
2016	5,902
2017	6,218
2018	6,521
Beyond five years	68,152
Total	<u>\$ 101,545</u>

**TOWN OF GANS, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE (10) COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The Town participates in the certain federal and state grant programs as available. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

**NOTE (11) INSURANCE COVERAGE**

The Town purchases commercial insurance policies covering property casualty loss, public liability, board member and administrator liability, and workers compensation. The Town also purchases surety bonds for employees in all positions required by state law to be bonded.

## **ADDITIONAL REQUIRED REPORTS AND SCHEDULES**

**TOWN OF GANS, OKLAHOMA**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Motor Vehicle Tax	\$ -	\$ -	\$ -
Sales and Use Tax	15,768	8,026	(7,742)
Franchise Tax	-	5,633	5,633
Other Taxes	-	2,183	2,183
Permits and Fees	-	177	177
Grants	3,695	15,999	12,304
Police Fines	16,000	16,386	386
Miscellaneous	200	257	57
Interest	-	-	-
<b>TOTAL REVENUES</b>	<u>\$ 35,663</u>	<u>\$ 48,661</u>	<u>\$ 12,998</u>
<b>EXPENDITURES</b>			
General Government	21,990	34,509	(12,519)
Public Safty	19,577	8,812	10,765
Streets	-	-	-
Capital Outlays	-	12,454	(12,454)
<b>TOTAL EXPENDITURES</b>	<u>\$ 41,567</u>	<u>\$ 55,775</u>	<u>\$ (14,208)</u>
<b>EXCESS OR REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (5,904)</u>	<u>\$ (7,114)</u>	<u>\$ (1,210)</u>
<b>OTHER FINANCIAL SOURCES</b>			
Operating Transfers In	\$ 4,800	\$ -	\$ 4,800
Operating Transfers Out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>\$ 4,800.00</u>	<u>\$ -</u>	<u>\$ 4,800</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (1,104)</u></u>	<u><u>\$ (7,114)</u></u>	<u><u>\$ 3,590</u></u>

See accompanying notes and independent auditor's report.

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Town Council  
Town of Gans, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of the Town of Gans, Oklahoma as of and for the year ended June 30, 2013, and have issued my report thereon dated May 20, 2014. I conducted the audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered the Town of Gans internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gans, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Gans, Oklahoma internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Gans, ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Gans, financial statements that is more than inconsequential will not be prevented or detected by the Town of Gans, internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Gans, internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above, however I noted certain matters that I have reported to management of the Town of Gans in a separate letter dated May 20, 2014.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Gans, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Barry Spyres, CPA  
May 20, 2014